



**THE LONG-TERM FINANCING IMPLICATIONS OF THE HIV/AIDS PANDEMIC:
BUILDING THE INTERNATIONAL EFFORT TO DELIVER RESOURCES**

Marlborough House, London, 30th June 2005

MEETING SUMMARY

On June 30, 2005, the Kaiser Family Foundation, the Royal African Society, and the Overseas Development Institute (ODI) convened a roundtable meeting of leaders in government, the corporate sector, and civil society from Africa, the Caribbean, Europe, and the United States at Marlborough House, London. The aim of the meeting was to generate fresh perspectives and new ideas for addressing the projected long-term financing needs of the HIV/AIDS epidemic. Two papers were commissioned by the Kaiser Family Foundation to inform the discussion:

- *Financing the Response to HIV/AIDS in Low and Middle Income Countries: Funding for HIV/AIDS from the G7 and the European Commission*, Jennifer Kates, Kaiser Family Foundation
- *Financing the Response to HIV/AIDS: Future Options and Innovations*, Paolo de Renzio and Simon Maxwell, Overseas Development Institute

The Kaiser Family Foundation also provided new public opinion data from G7 nations on global funding for HIV/AIDS: *Survey of G7 Nations on HIV Spending in Developing Countries*.

The meeting took place immediately preceding the G8 Summit and against the backdrop of considerable groundwork, by government leaders and non-governmental organizations, pushing for a major increase in official development assistance (ODA) to Africa, generating discussion about how to create the kind of funding needed for the “big push” for African development, and, by implication, rethinking the existing foreign aid “architecture”.

Following is a summary of the issues addressed at the meeting. This summary is not intended to represent the views of the meeting organizers or any individual meeting participant but, rather, is intended to provide an overview of the key areas and challenges discussed.

- **The Funding Gap:** Despite considerable progress in funding the global fight against HIV/AIDS, resources fall far short of current and projected need, and the gap is likely to grow. UNAIDS projects that \$15 billion will be needed to address the epidemic in low and middle income countries by 2006, rising to \$22 billion in 2008. In addition, most donor funding is decided and committed on an annual or otherwise short-term basis, leading to a lack of predictability and stability in funding at the recipient country level.
- **The Menu of Potential New and Modified Financing Strategies:** New, politically tenable and fiscally viable ways of using public funds to leverage the kind of resources needed must be found if a sustained and stepped up response is to be achieved. Many participants noted the importance of recognizing that “one size does not fit all” and there is a need to explore several options utilizing multi-channel approaches. In addition, options need to be short, medium, and long-term. Some of the financing options that have been introduced for discussion:
 - *Maintaining the status quo* through continuing incremental increases in annual funding by donors;
 - Creating a periodic *Replenishment Process for the Global Fund* (vs. relying on unpredictable and sometimes ad hoc contributions);
 - The British-proposed *International Finance Facility (IFF)* to frontload development aid primarily through the purchase of bonds on the international market;
 - A *tax on airline tickets*, first proposed by France and now also supported by Germany, to raise additional aid for HIV/AIDS;
 - *Advance purchasing commitments* (such as for vaccines and other technological innovations) where donors would make a binding commitment to pay for a product if and when it is developed, enabling firms to invest in research and development with the confidence that there would be a market for a successful product;
 - *Bulk purchasing of commodities* (such as for HIV/AIDS drugs, vaccines, condoms, microbicides, etc.);
 - *Interest-rate buy downs*, to lower the costs of loans (or convert them to credits) which could free up more public funding for other purposes; and
 - *Debt relief* to alleviate the debt burden in hard hit countries, freeing up needed resources for health, including HIV/AIDS, and other development and poverty reduction initiatives.

In addition to these different options, the question of who pays for and delivers public goods is key. Participants noted that more attention should be given to the role of the private sector as the distributor and provider of publicly funded services in settings where governance and infrastructure are lacking.

- **Absorptive Capacity “vs” The Need for More:** Some argue that projected need numbers are purely academic because even if the money were available to meet the need, most of the worst-affected countries do not have the capacity to effectively use these resources, due to the lack of health workers and other needed infrastructure. Others argue that this is no reason to dismiss the projected need numbers as academic, but, rather a reason why increased funding is sorely needed to expand infrastructure and the capacity of recipient countries to absorb resources. The issue of distributive capacity of donors – that is, the internal roadblocks faced by donors in providing their funding on a timely basis – is also a key consideration.
- **Attracting and Keeping the World’s Attention to HIV/AIDS:** Attracting and keeping attention to HIV/AIDS will continue to be a critical challenge. One of the only ways to galvanize international public attention and political leadership on Africa in particular and developing countries in general seems to be through an intermittent focus on tragedy and catastrophe—famine, HIV/AIDS, malaria etc. However, in so doing, the inter-relatedness of all these phenomena is lost – the inter-relatedness of poverty and disease, for example, argues for a more balanced approach that examines the impediments to productive, healthy lives for most Africans and prioritizes development spending accordingly. Moreover, because HIV/AIDS will be with us for decades to come, keeping the world’s attention on the epidemic presents a significant, and potentially growing, challenge to sustaining the response, let alone augmenting it.

HIV/AIDS as Broader Development Issue or Stand-Alone Challenge: There is no consensus on the appropriate balance between approaching HIV/AIDS as part of a broader development issue or as a unique, stand-alone challenge, requiring a vertical or specific funding response. Some feel that the push for greater resources for HIV/AIDS may be subsumed in a discussion about broader development needs and “easy wins” like insecticide-treated bed nets or the elimination of school fees. However, given the protracted nature of the AIDS pandemic and great cost of prevention and treatment, easy wins may be more difficult to identify in the context of HIV/AIDS. One implication, according to participants, is that the HIV/AIDS community might be better served locating its efforts in the broader development community. At the same time, since HIV/AIDS has had, and threatens to have, such a significant impact on the development gains of the last century, the broader development community should recognize that focusing on HIV/AIDS is fundamental to the development prospects of worst-affected nations.

- **Need to Show Effectiveness/Efficiency:** The need to demonstrate effectiveness at the country level is paramount, and was a theme echoed by many participants. Demonstrating effectiveness is critical because:
 - There is a need to show that efforts are effective in order to get more support
 - Less is needed if efforts are effective and efficient
 - It helps to bolster support in general for foreign aid as an effective way to make a difference.But there is debate about how best to measure “effectiveness”—is it simply numbers of patients enrolled on AIDS treatment or is it more complex? And, if so what is the right balance between contextual constraints (i.e. lack of infrastructure) and the need for demonstrable short-term results?
- **Catch-22 of Predictability/Sustainability:** The lack of predictability and sustainability in funding for countries and programs was cited as a critical challenge for the response, one that presents affected countries with a difficult catch-22: in order to show the effectiveness needed to attract additional support, countries need to build and sustain their response; yet without sufficient funds now and a guarantee of future funding later, countries cannot build the infrastructure needed and expand their efforts to show effectiveness.
- **Implementing Donor Coordination and Harmonization Agreements:** Many argued for the need for greater cooperation and harmonization among donors and noted that progress has been made in

this area through the Three Ones Agreement and recent coordinated donor announcements regarding antiretroviral treatment goals. However, there are still many challenges to implementing a more harmonized approach, including harmonizing across the many ways in which donors provide funding to developing countries.

- **The Global Fund as a New, Multilateral Experiment:** Most participants agreed that the Global Fund is the best example of a new multilateral strategy for addressing HIV/AIDS. Generally, the Global Fund appears to have succeeded in its initial goal of raising additional resources for HIV/AIDS, TB, and malaria, and disbursing funding relatively quickly. But it faces many challenges, including its own continued funding shortages, which threaten its long-term impact in affected countries, and a limited capacity to help strengthen country management and service delivery systems, which may hinder grant effectiveness.
- **Pushing for Both Prevention and Treatment, while Elevating Prevention as a Focus:** The importance of refocusing attention to HIV prevention was raised by several meeting participants, since HIV prevention efforts will need to be drastically stepped up if there is to be a long-term impact on the epidemic. In addition, without stepped up prevention efforts, HIV treatment needs will continue to grow, and the long-term financing burden will increase.
- **The Role of Targets:** There are many challenges to “selling” both HIV prevention and treatment to donors and others, given competing budget demands and priorities, and the long-term, protracted nature of the epidemic. One strategy has been to set and use global targets, as in the case of the World Health Organization’s 3x5 Initiative. Questions remain, however, about how to set targets and how achievable they need to be. Some argue, for example, that the WHO’s 3X5 approach was a mistake—it set a target that could not easily be attained. Others say this goal allowed for an unprecedented mobilization effort to provide treatment and that thousands more have now been reached because of it. Some participants noted the importance of continuing to set and use global targets, while recognizing the delicate balance between making them achievable and pushing the response to the next level.
- **Anticipating and Managing Setbacks:** Participants discussed the potential setbacks to addressing HIV/AIDS that could occur such as the emergence of antiretroviral drug resistance in countries on the frontline of expanded treatment roll-out, the collapse of already severely overburdened public health systems in some of the worst affected countries, the intensification of AIDS-related poverty in the worst affected countries, and illness and death resulting from malnutrition. Participants noted the importance of preparing for such setbacks.
- **Public Opinion in Donor Countries:** Finally, as demonstrated by the Kaiser Family Foundation opinion survey in G7 countries, public opinion in these donor countries is more similar than different across several measures. The public also holds contradictory opinions about foreign aid to address HIV/AIDS. For example, most believe that we are losing ground in the fight against HIV/AIDS and that more money may be needed, but are unsure whether more money will make a difference. Mobilization efforts will need to focus on this last critical measure and provide evidence that more funding can make a difference.